

REPORT ON EXAMINATION
OF THE
GENERAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2005

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General Reinsurance Corporation

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SALUTATION

June 11, 2007

Honorable Mike Geelsin
Chairman, Financial Condition (E)
Committee NAIC
State Corporation Commission
Texas Department of Insurance
PO Box 149104
Austin, Texas 78714-9104

Honorable Matthew P. Denn
Commissioner of Insurance
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, Delaware 19904

Honorable Joseph Torti, III
Secretary, Northeastern Zone (I) NAIC
Rhode Island Insurance Division
Department of Business Regulation
233 Richmond Street, Suite 233
Providence, Rhode Island 02903-4233

Honorable Julie B. Bowman
Secretary, Southeastern Zone (II) NAIC
Arkansas Insurance Department
1200 West 3rd Street
Little Rock, Arkansas 72201-1904

Honorable Kent Michie
Secretary, Western Zone (IV) NAIC
Utah Department of Insurance
3110 State Office Building
Salt Lake City, Utah

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 06.004, dated January 26, 2006, an examination has been made of the affairs, financial condition and management of the

GENERAL REINSURANCE CORPORATION

hereinafter referred to as "Company" or "GRC" and incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware, 19801. The examination was conducted at the main administrative office of the Company, located at 695 East Main Street, Stamford, CT, 06901-2350.

The report of such examination is submitted herewith.

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2005 of the

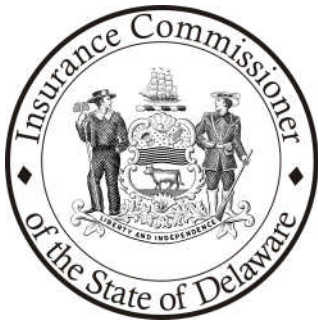
GENERAL REINSURANCE CORPORATION

is a true and correct copy of the document filed with this Department.

ATTEST BY:

Antoinette Handy

DATE: 8 JUNE 2007



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 8TH DAY OF JUNE 2007.

Matthew Denn

Insurance Commissioner

REPORT ON EXAMINATION
OF THE
GENERAL REINSURANCE CORPORATION
AS OF
December 31, 2005

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matthew Denn", written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 8TH Day of JUNE 2007.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2002. This examination covers the period since that date through December 31, 2005, and consisted of a general review of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the National Association of Insurance Commissioners ("NAIC") and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. In accordance with the aforementioned Handbook, the consulting firm of INS Services, Inc. performed an information systems review.

In addition to items hereinafter incorporated as a part of the written report, the following areas were checked and made part of the work papers of this examination.

Fidelity Bonds and Other Insurance
Statutory Deposits
Employees' Welfare
All Asset & Liability Items not mentioned

HISTORY

The Company was incorporated with the title “General Reinsurance Corporation of Delaware” under the laws of Delaware on October 8, 1970 to act as the vehicle for the transfer of the corporate domicile of General Reinsurance Corporation from New York, New York to Wilmington, Delaware, effected on January 1, 1973. The predecessor company was originally incorporated as “General Casualty and Surety Reinsurance Corporation” under the laws of New York on March 21, 1921, and its name was changed to “General Reinsurance Corporation” on October 9, 1923.

On October 31, 1980, the Company, by merger and reorganization, became a wholly-owned subsidiary of General Re Corporation (“GRN”), a publicly traded holding company domiciled in the State of Delaware.

On June 19, 1998, GRN and Berkshire Hathaway Inc. (“Berkshire”) executed a Merger Agreement and Plan of Merger. In September 1998, shareholders of the two (2) companies approved the merger and during the fourth quarter all regulatory approvals and tax rulings were received. The transaction was completed on December 21, 1998. GRN shareholders received merger consideration consisting of approximately 272,200 Berkshire Class A shares.

CAPITALIZATION

Common Capital Stock

The Certificate of Incorporation was amended on November 12, 1980 to reflect a decreased authorized capitalization of the Company to 11,000 shares of common stock with a par value of \$ 1,000 per share. All authorized shares are issued and outstanding and held by the Company's immediate parent, General Re Corporation and the Company has no preferred stock outstanding.

General Reinsurance Corporation

Dividends to Stockholder

There were no dividends issued to the Company's stockholder during the period of January 1, 2003 to December 31, 2005.

Following is a reconciliation of capital and surplus for the period under examination:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Surplus as regards policyholders, December 31, prior year	<u>\$4,095,126,689</u>	<u>\$5,435,197,334</u>	<u>\$7,158,986,446</u>
Net Income	831,591,338	485,835,702	721,128,937
Change in net unrealized capital gains (losses)	475,227,600	1,077,525,321	216,270,851
Change in net unrealized Foreign exchange gain (loss)	34,542,571	4,235,336	(53,360,468)
Change in net deferred income tax	(70,401,187)	(137,796,331)	(196,516,207)
Change in non-admitted assets	69,103,429	321,016,928	8,756,865
Change in provision for reinsurance	6,894	(27,027,844)	(1,225,016)
Surplus adjustments: Paid in Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>0</u>	<u>(71,956,691)</u>
Change in surplus as regards policyholders, current year	<u>\$1,340,070,645</u>	<u>\$1,723,789,112</u>	<u>\$735,098,271</u>
Surplus as regards policyholders, current year	<u>\$5,435,197,334</u>	<u>\$7,158,986,446</u>	<u>\$7,894,084,717</u>

MANAGEMENT AND CONTROL

Board of Directors

Pursuant to the General Corporation Laws of the State of Delaware as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors. The bylaws provide that the number of directors shall be established by the Board of Directors or by action of the stockholder and shall consist of not less than seven (7) members. Directors are elected annually and serve until a successor is elected and qualified. Interim vacancies may be filled by vote of the directors then in office,

General Reinsurance Corporation

which may be less than a quorum. A majority of the Board of Directors, but not less than five (5) members, shall constitute a quorum for the transaction of business.

A meeting of the Board of Directors shall be held within sixty (60) days after each annual election of directors for the purpose of organization, election of officers and the transaction of such other business. The Board of Directors may provide for the holding of regular meetings and the Chairman of the Board, the President or any two (2) directors, may call special meetings.

Members of the Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2005 were as follows:

<u>Director</u>	<u>Primary Business Affiliation</u>
Joseph P. Brandon	Chairman and Chief Executive Officer General Reinsurance Corporation
Imre J. Chohnoky	Senior Vice President General Reinsurance Corporation
William G. Gasdaska, Jr.	Senior Vice President, Chief Financial Officer and Treasurer General Reinsurance Corporation
John D. Hickey	Executive Vice President General Reinsurance Corporation
Peter Lutke-Bornefeld	Chairman and Chief Executive Officer Kolnische Ruckversicherungs-Gesellschaft Ag (Germany)
Franklin Montross, IV	President, Vice Chairman and Chief Underwriting Officer General Reinsurance Corporation
William E. Thiele *	Senior Vice President General Reinsurance Corporation
Damon N. Vocke	Senior Vice President, General Counsel and Secretary General Reinsurance Corporation

* Resigned December 31, 2005

General Reinsurance Corporation

Committees of the Board of Directors

The Board of Directors appointed the following members to the Compensation Committee that served as of December 31, 2005:

Joseph P. Brandon
Franklin Montross, IV

The Company had indicated in each of its Annual Statements that a complete permanent record of the proceedings of subordinate committees is kept. However, there were no recorded minutes of the Compensation Committee in the years 2004 and 2005 and although the committee meeting minutes for the year 2003 indicates that a report was made for the compensation of officers, the report was not attainable.

It is recommended that the Company reply to the Annual Statement General Interrogatories in an accurate manner concerning the maintenance of recorded minutes and a written account or report of the discussions reflected in the minutes of the committee members' meetings should be retained.

Officers

The bylaws provide that the Officers of the Company shall be a Chairman of the Board, a President, a Treasurer and a Secretary, all of whom shall be elected by the Board of Directors at the next regular meeting after the Annual Meeting of the stockholder. The Chief Executive Officer may, from time to time, appoint other officers.

The Company's principal officers and their respective titles as of December 31, 2005 were as follows:

<u>Name</u>	<u>Title</u>
Joseph P. Brandon	Chairman and Chief Executive Officer
Franklin Montross IV	President, Vice Chairman and Chief Underwriting Officer
Damon N. Vocke	Senior Vice President, General Counsel and Secretary
William G. Gasdaska, Jr.	Senior Vice President, Chief Financial Officer and Treasurer
John D. Hickey	Executive Vice President
Christopher J. Migel	Executive Vice President

General Reinsurance Corporation

Anthony J. Anastanio	Senior Vice President
Geoffrey H. Ashworth	Senior Vice President
Cynthia B. Baldwin	Senior Vice President
Stephen C. Barbour	Senior Vice President
Sandra Bell	Senior Vice President
Donald W. Bradford	Senior Vice President
Christopher J. Brock	Senior Vice President
Nicholas S. Canelos	Senior Vice President
James W. Canfield	Senior Vice President
Barbara I. Carey	Senior Vice President
Imre J. Cholnoky	Senior Vice President
Peter A. Clauson	Senior Vice President
Philip G. Clay	Senior Vice President
Deborah A. Colantuoni	Senior Vice President
Robert A. Costa	Senior Vice President
Edward T. Cote, Jr.	Senior Vice President
Christopher J. Crowder	Senior Vice President
James C. Damonte	Senior Vice President
Carole M. Ferrero	Senior Vice President
Kevin F. Fitzgerald	Senior Vice President
Steven N. Franklin	Senior Vice President
John B. Gray, Jr.	Senior Vice President
Thomas E. Gross	Senior Vice President
Zoe P. Hopkins	Senior Vice President
Joan Lamm-Tennant	Senior Vice President
Kenneth B. Lundgren	Senior Vice President
Michael E. Lyngaas	Senior Vice President
Daniel K. Lyons	Senior Vice President
Francis M. McGlinn	Senior Vice President
Joseph I. Meli	Senior Vice President
Peter M. Nance	Senior Vice President
Thomas S. Orr	Senior Vice President
Richard S. Patronik	Senior Vice President
Greig W. Rance	Senior Vice President
James A. Sabella	Senior Vice President
Robert D. Sciolla	Senior Vice President
Lee R. Steeneck	Senior Vice President
Kenneth J. Vivian	Senior Vice President
James D. Whamond, Jr.	Senior Vice President
Robert L. Young	Senior Vice President

Notification of Change of Directors and Officers

There were twenty-five (25) changes, both new appointments or elections and resignations, in the positions of Directors or principal officers that had not been reported to the

General Reinsurance Corporation

Delaware Insurance Commissioner during the period of January 1, 2003 to December 31, 2005. Principal officers include all those individuals listed in the Annual Statements filed by the Company.

In addition, two notifications that were sent to the Delaware Commissioner were misstated regarding the name of a replaced director and the title held by an officer who resigned from his position.

“18 Del. C. § 4919-Notice of change of directors or officers,” states;

“Every domestic stock or mutual insurer shall promptly notify the Commissioner in writing of any change of personnel among its directors or principal officers.”

It is recommended that the Company comply with 18 Del. C. § 4919 regarding the notification of changes in officers and directors.

Conflict of Interest Policy

The immediate parent company, General Re Corporation, maintains a formal written Policy Statement on Conflict of Interest procedures for its subsidiaries that includes the Company of which conflict of interest compliance questionnaires are required to be distributed to, and executed by, officers, directors, and employees on an annual basis.

The Company complied with its conflict of interest procedures for the year-ending periods of 2003 and 2005; however, the review and execution of such questionnaire forms were not implemented in the year 2004.

It is recommended that the Company consistently comply with its Policy Statement on Conflict of Interest procedures by verifying that its officers, directors and employees review and execute the questionnaires on an annual basis.

Corporate Records

During the period of January 1, 2003 to December 31, 2005, all actions taken by the Board of Directors were done by unanimous written consent in lieu of holding Board meetings.

General Reinsurance Corporation

Investment Management Agreement

The Investment Management Agreement including the Investment Policy and Guidelines that was entered into with General Re-New England Asset Management, Inc., dated June 1, 2003, was first approved at the June 29, 2004 Board meeting, being over a year from the effective date.

It is recommended that the Company's Board of Directors exercise care to assure that, when the Board's approval of agreements is required or otherwise provided, such approval is given in a timely manner.

HOLDING COMPANY SYSTEM AND AFFILIATED TRANSACTIONS

The Company is a member of a holding company system and since October 31, 1980, GRC has remained a wholly owned subsidiary of its immediate parent, General Re Corporation, a Delaware holding company. Berkshire Hathaway Inc. (Berkshire), a Delaware domiciled holding company, became the ultimate parent and controlling entity of the entire group of companies on December 21, 1998 as a result of a merger with General Re Corporation. Berkshire owns diverse companies engaged in various business activities worldwide.

The following organizational chart reflects the identities and interrelationships between the members of the "Gen Re Group" of companies that are part of the holding company system as of December 31, 2005:

GENERAL RE CORPORATION HOLDING COMPANY CHART (as of 12/31/2005)

<u>Name</u>	<u>Percent Owned</u>	<u>Jurisdiction</u>
Berkshire Hathaway Inc.		Delaware
	N/A	
General Re Corporation	100	Delaware
General Reinsurance Corporation	100	Delaware

General Reinsurance Corporation

Elm Street Corporation		Delaware
	100	
General Star Indemnity Company		Connecticut
	100	
General Star International Indemnity Ltd.		UK
	100	
General Star National Insurance Company		Ohio
	100	
General Star Management Company		Delaware
	100	
Genesis Underwriting Management Company		Delaware
	100	
Cologne Services Corporation		Delaware
	100	
Genesis Professional Liability Managers, Inc.		Ohio
	100	
Broker Markets Agency, Inc.		Connecticut
	100	
Insurance Management Services, Inc.		Connecticut
	100	
Genesis Insurance Company		Connecticut
	100	
Genesis Indemnity Insurance Company		North Dakota
	100	
GRC Realty Corporation		Connecticut
	100	
General Re Holdings Limited		UK
	100	
Reinsurance Underwriting Services Limited		UK
	100	
Gen Re Services UK Limited		UK
	100	
General Reinsurance UK Limited		UK
	100	
Gen Re Investments UK Limited		UK
	100	
GeneralCologne Re Management Ltd		Australia
	50 (3)	
General & Cologne Re Brasil Ltda.		Brazil
	50 (5)	
General Reinsurance Australia Ltd		Australia
	100	
General Re Compania de Reaseguros, S.A.		Uruguay
	100	
Mandataria General Re, S.A.		Argentina
	100 (1)	
General & Cologne Re (Sur) Compañia de Reaseguros S.A.		Argentina
	100 (1)	
Kölnische Rückversicherungs-Gesellschaft AG		Germany
	91.2 (4)	
GRD Corporation		Delaware
	100	
Kölnische Rückversicherungs-Gesellschaft AG		Germany
	91.2 (4)	
Cologne Holding Company of America		Connecticut
	100	

General Reinsurance Corporation

Cologne Re Managers Corporation 100	Delaware
Cologne Reinsurance Company of America 100	Connecticut
GeneralCologne Life Re (Barbados) Ltd. 100	Barbados
General & Cologne Investments LLC 100	Delaware
General Re Life Corporation 100 (6)	Connecticut
Cologne Life Underwriting Management Company 100	Connecticut
John Hewitt and Associates 100	Maine
Professional Life Underwriting Solutions, Inc. 100	Connecticut
Idealife Insurance Company 100	Connecticut
GCL Strategic Investments, Inc. 100	Connecticut
Europa Rückversicherung Aktiengesellschaft 100	Germany
Europa Re (Dublin) Limited 100	Ireland
Kölnische Versicherungs-Beratungs- und Service GmbH 100	Germany
Faraday Reinsurance Co. Limited 100	UK
Cologne Reinsurance Company (Dublin) Ltd. 100 (1)	Ireland
Cologne Reinsurance Finance Holdings B.V. 100	Netherlands
GeneralCologne Re (Bermuda) Ltd. 100	Bermuda
General & Cologne Re (Barbados) Ltd. 75 (2)	Barbados
Gen Re México, S.A. 100	Mexico
Gen Re Warsaw Sp. z.o.o. 100	Poland
General Reinsurance Africa Ltd. 100 (1)	South Africa
GeneralCologne Re Management Ltd 50 (3)	Australia
General & Cologne Re Brasil Ltda. 50 (5)	Brazil
General Reinsurance Life Australia Ltd. 100 (1)	Australia
SIA Gen Re Riga 100	Latvia
GeneralCologne Re Ibérica Corredores de Reaseguros S.A. 100	Spain
General Reinsurance Life UK Limited 100 (1)	UK
Cologne Re Consultants Ltd. 100	Hong Kong

General Reinsurance Corporation

Insiders Technologies GmbH		Germany
86 (8)		
General Reinsurance Scandinavia A/S		Denmark
100		
Universal Risk Partners S.à.r.l.		Luxembourg
100		
GeneralCologne Re Capital Fund Managers (Ireland) LTD		Ireland
100 (1)		
GeneralCologne Re Beirut s.a.l. (Off-Shore Company)		Lebanon
100 (1)		
Gen Re Capital GmbH		Germany
100		
Der Gen Re Rehabilitations-Dienst GmbH		Germany
100		
General Re Strategic Solutions, Inc.		Delaware
100		
National Re Corporation		Delaware
100		
National Reinsurance Corporation		Delaware
100		
Fairfield Insurance Company		Connecticut
100		
Global Resolution, Inc.		New Jersey
100		
Red Elm, LLC		Delaware
100		
GRCBA, LLC		Delaware
100		
North Star Reinsurance Corporation		Delaware
100		
General Re-New England Asset Management, Inc.		Delaware
100		
North Star Syndicate, Ltd.		Delaware
100		
United States Aviation Underwriters, Inc.		New York
100		
Canadian Aviation Insurance Managers Ltd.		Canada
100		
Airsurance Limitee		Quebec
100		
General Re Services Corporation		Delaware
100		
Gen Re Intermediaries Corporation		New York
100		
Genplus Managers, Inc.		Delaware
100		
Faraday Holdings Limited		UK
100		
Faraday Group Services Limited		UK
100		
Faraday Underwriting Limited		UK
100		
Faraday Insurance Services Limited		UK
100		
Faraday Capital Limited		UK
100		

General Reinsurance Corporation

GRD Holdings Corporation		Delaware
	100	
GRD Global, Inc.		Delaware
	100	
Gen Re Securities Holdings LLC		Delaware
	100	
General Re Financial Products Corporation		Delaware
	100	
General Re Financial Products (Canada) Limited		Ontario
	100	
Gen Re Securities		UK
	100	
General Re Investment Holdings Corporation		Delaware
	100	
General Re Funding Corporation		Delaware
	100	
General Re Corporate Finance, Inc.		Delaware
	100	
Gen Re Asset Finance, Inc.		Delaware
	100	
GenRe South Ridge Partners L.P.		Delaware
	100 (7)	
GenRe Park Holdings LLC		Delaware
	100	
GenRe Gisbourne LLC		Delaware
	100	
GenRe Medallion LLC		Delaware
	100	
General Re Asset Investments (I), Inc.		Delaware
	100	
Ardent Risk Services, Inc.		Delaware
	100	

(1) Percentages include any qualifying shares.

(2) GeneralCologne Re (Bermuda) Ltd. (Bermuda) owns 75% and General Re Life Corporation (Connecticut) owns 25% of General & Cologne Re (Barbados) Ltd. (Barbados)

(3) General Reinsurance Corporation and Kölnische Rückversicherungs-Gesellschaft AG each own 50% of GeneralCologne Re Management Ltd

(4) On December 22, 2005, the GRN-SARL was dissolved under the laws of Luxemburg; as a result of the dissolution of the GRN-SARL, GRD Corporation received 6,174,369 shares of Kölnische Rückversicherungs-Gesellschaft AG and General Reinsurance Corporation received 6,149,721 shares of Kölnische Rückversicherungs-Gesellschaft AG. In addition to the shares received as a result of the dissolution, GRC already owned 506,653 shares and GRD Corporation owned 6,259,095 shares. As a result of the SARL dissolution and the existing shares, the total shareholdings for GRC are 6,656,374 shares; the total shareholdings for GRD Corporation are 12,433,464 shares. The Corporation's consolidated interest in KR is 91.2%.

(5) General Reinsurance Corporation and Kölnische Rückversicherungs-Gesellschaft AG each own 50% of General & Cologne Re Brasil Ltda.

(6) Kölnische Rückversicherungs-Gesellschaft AG holds a 51% controlling interest and Cologne Re Managers Corporation holds a 49% non-controlling interest of General Re Life Corporation.

(7) Owned 75% by GenRe Medallion LLC and 25% by General Re Asset Holdings, Inc.

(8) Kölnische Rückversicherungs-Gesellschaft AG owns 86% and 8 private individuals (non-GCR employees) own 14%.

(Indentation Shows Ownership)

General Reinsurance Corporation

Loans to Affiliates

There were outstanding loan balances due from seven (7) affiliates that totaled \$99,115,300 as of December 31, 2005, which are summarized as follows:

<u>Affiliate</u>	<u>Loan Balance December 31, 2005</u>
General Star Management Company (ML)	\$36,337,200
Genesis Underwriting Management Company (ML)	20,431,200
National Re Corporation (ML)	32,250,000
Elm Street Corporation (ML)	3,000,000
Ardent Risk Services, Inc. (X)	525,000
General Re South America (X)	2,000,000
Genesis D&O (X)	<u>4,571,900</u>
Total	<u>\$99,115,300</u>

(ML) – Affiliate was a participant in Master Loan Agreement.

(X) - Affiliate was not a participant in Master Loan Agreement.

As noted above, four (4) of the seven affiliates were participants in the Master Loan Agreement that is discussed in the section of this report captioned, “Intercompany Agreements”. In 2006, the Company received payments of \$82,646,900 in partial settlement of the loan balances shown above.

The loans outstanding represented material transactions as defined in Section 5004 of the Delaware Insurance Code for purposes of the Company’s Annual Registration Statement, since \$99,115,300 exceeded one-half of 1 percent of the Company’s admitted assets as of December 31, 2005, and from February 2005 till April 2006.

Although there were outstanding loan balances throughout the year 2005 that exceeded one-half of 1 percent of the Company’s admitted assets as of December 31, 2004, an interim fifteen (15) day holding company registration statement filing was not required by the Delaware Insurance Department due to the nature of the Master Loan Agreement that was pre-approved at an earlier date. However, the Delaware Insurance Department requires an annual Form B and C

General Reinsurance Corporation

holding company registration statement filing of outstanding loan balances that reflect the amount owed from each company should these balances, in total, amount to a material balance as of year-end.

It is recommended that the Company comply with 18 Del. C. § 5004(e) by reporting all outstanding loan balances due from each affiliate that in total amount to a material balance as of a year-end in its annual holding company Form B and C registration statement filings.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is authorized to transact the business of insurance in all states except Hawaii and is also licensed in the District of Columbia, Puerto Rico and Canada.

The principal office facilities of the Company are located in Stamford, Connecticut and are supplemented by branch operations in Atlanta, Boston, Charlotte, Chicago, Columbus, Dallas, Hartford, Kansas City, Los Angeles, Montreal, New York, Philadelphia, Phoenix, San Francisco, Seattle, St. Paul, Toronto, and Trumbull.

Plan of Operation

General Reinsurance Corporation and its United States subsidiaries represent the North American (N.A.) property/casualty reinsurance operations of the Gen Re Group. The N.A. group operates as a treaty and facultative reinsurer underwriting all lines of property and casualty business that is marketed on a direct basis. GRC is one of the largest professional property and casualty reinsurers in the United States and in the world based on premiums and capital.

GROWTH OF THE COMPANY

The following information was extracted from the Company's filed Annual Statements with the exception of 2005, which was verified during the current examination, and shows the growth of the Company since the last examination as of December 31, 2002.

Year	Net Admitted Assets	Surplus as Regards Policyholders	Gross Premiums Written *	Net Premiums Earned	Net Income
2005	\$14,632,646,158	\$7,894,084,717	\$1,721,457,921	\$(3,988,073,451)	\$721,128,937
2004	19,614,060,601	7,158,986,446	2,366,705,883	2,465,205,791	485,835,702
2003	19,512,516,473	5,435,197,334	3,288,291,831	3,268,085,723	831,591,338
2002	18,731,990,351	4,095,126,689	3,842,802,623	3,656,747,417	578,553,066

Direct premiums written and reinsurance assumed.

The large decrease in net admitted assets and net premiums earned between 2004 and 2005 was due to the effects of the loss portfolio transfer/quota share reinsurance contracts entered into with affiliates National Indemnity Company and Columbia Insurance Company, as described under the caption "Reinsurance". The large increase in policyholder surplus between 2003 and 2004 was mainly due to the large increase in net unrealized capital gains during 2004.

REINSURANCE

General Re Corporation together with its subsidiaries (including the Company), known collectively as Gen Re, is one of the world's largest professional reinsurers, writing a wide array of working layer reinsurance products. The core of the Company's book of business is property and casualty excess of loss. As of December 31, 2005, the Company was rated A++ Superior by the rating agency A.M. Best.

General Reinsurance Corporation

The Company reported the following distribution of net premiums written in 2005:

Direct and indirect business	\$57,079,238
Reinsurance assumed (from affiliates)	59,407,831
Reinsurance assumed (from non-affiliates)	<u>1,604,970,852</u>
Total direct and assumed	<u>\$1,721,457,921</u>
Reinsurance ceded (to affiliates)	6,140,343,815
Reinsurance ceded to (non-affiliates)	<u>63,489,157</u>
Total ceded	<u>\$6,203,832,972</u>
Net premiums Written	<u>\$(4,482,375,051)</u>

A general outline of the direct and indirect business and the significant reinsurance agreements in effect at December 31, 2005 follows:

Direct and Indirect Business

The Company, through its participation in the United States Aircraft Insurance Group pool, indirectly writes a modest sized block of aircraft business (beginning in 2003), all of which is reinsured with non-affiliated reinsurers, and directly writes a small block of direct excess indemnity coverage for qualified workers' compensation self insurers business. A majority of the excess workers' compensation business beyond the Company's retention is currently reinsured with several of the Company's affiliates. The Company's direct and indirect writings as of the prior examination of December 31, 2002 to December 31, 2005 were as follows:

Direct/Indirect Written Premiums

<u>Year</u>	<u>Aircraft</u>	<u>Excess Workers' Compensation</u>	<u>Total</u>	<u>Reinsured Ceded Premiums</u>	<u>Premiums Retained</u>
2002	\$ -0-	\$14,150,722	\$14,150,722	\$ 145,043	\$14,005,679
2003	\$45,504,813	\$10,209,197	\$55,714,010	\$45,612,132	\$10,101,878
2004	\$61,275,699	\$ 8,051,687	\$69,327,386	\$61,420,552	\$ 7,953,300
2005	\$54,608,682	\$ 2,470,556	\$57,079,238	\$56,768,444	\$ 310,794

General Reinsurance Corporation

Effective January 1, 2005, with the permission of their respective domestic insurance regulators, the Company and certain of the Company's North American property and casualty affiliates entered into a loss portfolio contract and a quota share reinsurance contract with two other affiliates, National Indemnity Company and Columbia Insurance Company. The direct and indirect business as described above is included in the coverage under both the loss portfolio and quota share contract.

The loss portfolio contract provides a 50% reinsurance cover on losses paid under business written on or before December 31, 2004, subject to an overall aggregate limit of \$11.1 billion. The 50% reinsurance cover under this contract is shared between National Indemnity Company (40%) and Columbia Insurance Company (10%).

The quota share contract provides a 50% reinsurance cover on net losses paid under business written on or after January 1, 2005. The 50% reinsurance cover under this contract is shared between National Indemnity Company (40%) and Columbia Insurance Company (10%).

The loss portfolio and quota share contracts mentioned above replaced a previous aggregate stop-loss reinsurance agreement that attached at a combined ratio of 104% and was commuted effective January 1, 2005.

At December 31, 2005, the Company reported \$4.7 billion of ceded outstanding losses on the loss portfolio contract and \$578 million of ceded outstanding losses on the quota share contract. The Company reported ceded earned premium in calendar year 2005 of \$4.9 billion and \$902 million for the loss portfolio and quota share contracts respectively. These two major contracts are the primary reason for the fluctuations between years noted in the financial information reported throughout this report on examination and in the following analysis of the Company's reinsurance business.

General Reinsurance Corporation

Assumed Reinsurance – Affiliates

The Company had assumed reinsurance agreements in effect with twenty-two of its affiliates at December 31, 2005, from which the Company assumed premium in 2005 from fifteen such affiliates.

The Company assumed 96.6% of its affiliate business from six affiliates as shown below:

U.S. Affiliates:

Genesis Insurance Company	23.6%
General Star National Insurance Company	12.3%
Fairfield Insurance Company	<u>8.3%</u>
Total U.S. Affiliates	<u>44.2%</u>

Non U.S. Affiliates:

General Reinsurance Australia, Ltd.	83.0%
General Reinsurance UK Ltd.	8.0%
Kolnische Ruckversicherungs-Gesellschaft AG	<u>(38.6%)</u>
Total Non-U.S. Affiliates	<u>52.4%</u>
Total	<u>96.6%</u>

The balance of the total (3.4%) was derived from nine other affiliates.

Assumed Reinsurance – Non-Affiliates

While GRC assumed business from a wide range of insurance companies, both U.S. domiciled and from Non-U.S. based insurers, including some of the largest in the industry, the Company focuses a significant portion of its treaty business by marketing efforts to small and medium sized property and casualty insurers. Business is marketed on a direct basis and is subject to parameters established by the underwriting department in conjunction with top-level management. All new clients are evaluated for financial stability and performance results.

Premiums assumed from non-affiliates decreased from \$2.1 billion to approximately \$1.6 billion with casualty lines accounting for 59.2% and property lines 40.8% in 2005.

General Reinsurance Corporation

The Company has implemented a more restrictive underwriting program since the events of September 11th, focused on risk selection, pricing, profitability and maintenance of conservative reserve margins. These actions, together with controlled catastrophe exposure, have contributed to improvements in the accident year combined ratios for the Company, which decreased from 102.3% in 2003 to 99.5% in 2005. The gross and net premiums written have declined over the past three years as a result of these actions undertaken by the Company.

Ceded Reinsurance

The principle reinsurance ceded in 2005, the loss portfolio and quota share contract, was previously described under the caption “Direct and Indirect Business.”

Finite Reinsurance Review

Concurrent with the Financial Examination, a separate review was made of the Company’s Finite Reinsurance Program, as of December 31, 2005, as authorized by the Delaware Department of Insurance. The authorization was based on public revelations made in early 2005 involving General Re Corporation (GRN), when American International Group (AIG) announced that its subsidiary, National Union Fire Insurance Company of Pittsburgh, PA (NUF) had engaged in and applied improper reinsurance accounting to an agreement executed between itself and Cologne Re Dublin, an alien subsidiary of the Company.

Upon investigations performed by the Securities and Exchange Commission (SEC), the Department of Justice (DOJ) and insurance regulators, the facts related to this transaction indicated that the transaction resulted in NUF artificially increasing its loss reserves for the years 2000 through 2004, by an approximate amount of \$500 million. As a result of these transactions and subsequent investigations, the SEC and DOJ have alleged, in formal complaints, that AIG

General Reinsurance Corporation

and certain employees of AIG, GRN, the Company, and Cologne Re Dublin committed certain unlawful activities.

The results of the finite reinsurance review showed that in 2005, the Company effectively exited the finite reinsurance market by discontinuing the marketing of new “non traditional” reinsurance products and placing Cologne Re Dublin in run-off. [As represented by management, this decision was made, in part, as a result of the on-going investigations and formal complaints by the SEC and DOJ regarding its subsidiaries’ transactions with AIG, as well as other investigations and allegations related to finite reinsurance in and outside of the U.S.] Management’s representation regarding the discontinuance was substantiated by the review of remaining Company finite treaties as well as the review of the significant decrease in finite premium written as reflected in subsequent public earnings statements of the Company’s ultimate corporate parent, Berkshire Hathaway, Inc.

Eight (8) of the one hundred ninety-nine (199) total treaties identified to the SEC and the Department of Insurance remained active as of August 24, 2006. A determination was made that seven (7) of the eight (8) treaties transferred both underwriting and timing risk and were correctly recorded using reinsurance accounting. The one remaining treaty was correctly recorded using deposit accounting. A review of the underwriting/correspondence files of the eight treaties did not disclose the existence of side agreements.

As part of this review, the actuarial consulting firm, INS Consultants, Inc., was retained by the Delaware Department of Insurance to review these eight treaties. The results of said review, as regards risk transfer, mirrored the conclusions reached by the examination team.

INTERCOMPANY AGREEMENTS

The Company participated in the following inter-company management and service agreements that were in effect as of December 31, 2005:

Expense and Tax Allocation Agreement

Effective January 1, 1984 and amended January 1, 1988, the Company and its immediate parent, General Re Corporation (GRN), entered into an expense and tax allocation agreement.

Each of the parties can provide services for each other that include such expenses as; administration, underwriting services, personnel, investment, EDP, treaty services, medical and such other expenses and taxes of any kind, rent, employee benefits and directors fees. Fees charged shall be based on time, number of employees, company assets, rent space or other agreed upon cost allocation methods.

The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate return tax liabilities of all affiliates that are members of the consolidated group. Estimated payments are required to be made by the respective affiliates to GRN and if such member is in a tax loss position that member will establish an account receivable from GRN.

Underwriting Management Agreement

Effective April 1, 1988 and amended on July 1, 1989, the Company is a party to an underwriting management agreement with Genesis Underwriting Management Company (GUMC). GUMC acts on behalf of the Company in underwriting excess workers compensation and employers liability insurance and reinsurance in support of alternative risk financing programs including self and captive insurance. Management services include; developing sources of production of contracts of insurance, underwriting risks, issuing insurance and

General Reinsurance Corporation

reinsurance contracts, receiving premiums and processing claims including the establishment of loss reserves, appointing loss adjusters and defending and settling losses under the policies of the agreement.

Joint Asset Agreement

Effective January 1, 1989 and last amended on October 10, 2005, a joint asset agreement was established between and among the Company and certain other subsidiaries of GRN. The companies joined together, creating a pool fund to which each participant contributes cash in excess of general working capital to improve the investment returns on the contributed funds. Each participant jointly owns a percentage of the assets in the pool, the investment income derived there from and such reinvestments as are made, in proportion to its contributed assets and jointly share the same proportion in the profits or losses, if any, of the pool fund. The Company is appointed as the manager of the pool fund and any participant, on notice to the manager, may cancel its participation and withdraw its contributions.

General Services Agreements

Effective September 1, 1998 and thereafter, the Company entered into general services agreements with affiliates whereby the Company provides, without limitation, such services as; administration, communications and public relations, actuarial, audit, executive, legal, personnel, comptroller, employee benefits and benefit plans, accounting, tax and other financial services.

Investment Management Agreement

Effective June 1, 2003, the Company entered into an investment management agreement with General Re-New England Asset Management, Inc., whereby the manager will make investment decisions for the Company in accordance with investment restrictions and guidelines

General Reinsurance Corporation

as stated in the agreement. All investment transactions require prior approval from the Company except for transactions in the "short term pool" account.

Master Loan Agreement

Effective March 1, 1993 and last amended on August 17, 2004, a master loan agreement was established between and among GRN and certain of its subsidiaries to create an inter-company short term loan facility to reduce each participant's level of short term investments while retaining sufficient liquidity to pay current obligations through affiliate borrowings as needed. The Company manages the short term loan facility and is authorized to make loans by affiliates to affiliates requesting such a loan. Loans bear interest from the date funds are advanced until the date repaid and the rate of interest shall be the average rate currently received by participants on their short term investments. Material loans require the lending affiliate's specific approval. Loans are repayable on demand, but are anticipated to be outstanding for six months or less. Borrowing affiliates may repay the loans at any time without penalty.

LEGAL ACTIONS

The Company is a party to various litigation and claims, common to its business. In addition, during the examination period and subsequent thereto, Berkshire, General Re Corporation (GRN), and both U.S. and international affiliates of GRN have been involved in ongoing investigations by various U.S. Attorney Generals, as well as US and international regulatory agencies of its non-traditional ('Finite') products and certain transactions involving these products. These investigations and the implication of certain former GRN and affiliate employees and consultants resulted in management's decision to discontinue writing its' non-traditional products related to the investigations (See Finite Reinsurance Review). Information and press releases reviewed during the examination show Berkshire and GRN continuing to

General Reinsurance Corporation

cooperate and respond to inquiries related to these investigations as of this report date. As disclosed in the Company's Quarterly and Annual Statements, the Company cannot predict the outcome of these matters, is unable to estimate a range of possible loss, and cannot predict whether or not the outcomes will have a material adverse effect on the Corporation's financial statements. In accordance with NAIC *Annual Statement Instructions*, the Company has made adequate disclosure of its material contingent liabilities where required.

ACCOUNTS AND RECORDS

Information Systems Controls Evaluation

A high-level assessment of the internal control structure and process for NRC's accounting computer systems was discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The discussions and review did not reveal any material deficiencies in the internal control structure of the Company.

Accounting System

All necessary accounting records of the Company are maintained on electronic data processing equipment, which is also shared by GRN, and its subsidiaries. The general ledger is maintained on a statutory basis with additional accounts used to convert to the accrual basis suitable for General Accepted Accounting Principles. The Company's database was tested as part of Delaware examination procedures.

Independent Accountants

The Company's financial statements are audited each year by the firm of Deloitte & Touche ("D&T"), LLP, of New York, New York. D&T issued an unqualified opinion of the audited statutory financial statements for all years under the examination review. The

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workpapers prepared by D&T in connection with the annual audit were reviewed and relied upon to the extent possible.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2005, as determined by this examination, along with supporting exhibits as detailed below:

Assets, December 31, 2005

Liabilities, Surplus and Other Funds, December 31, 2005

Statement of Income, December 31, 2005

General Reinsurance Corporation

Assets

As of December 31, 2005

	Ledger <u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>	<u>Notes</u>
Bonds	\$ 2,861,902,243		\$ 2,861,902,243	1
Stocks:				
Preferred	328,065,167		328,065,167	
Common	6,679,410,515		6,679,410,515	2
Cash, cash equivalents, and short-term investments	2,948,526,889		2,948,526,889	3
Other invested assets	871,476,194		871,476,194	
Receivable for securities	20,376,127		20,376,127	
Investment income due and accrued	63,744,075		63,744,075	
Premiums in course of collections	337,210,910	\$7,715,122	329,495,788	
Deferred premiums not yet due	7,270,605		7,270,605	
Accrued retrospective premiums	32,419,556		32,419,556	
Amounts recoverable from reinsurance	285,972,340		285,972,340	
Funds held by or deposited with reinsured co.'s	41,696,522	495,695	41,200,827	
Furniture and equipment	3,482,642	3,482,642	0	
Receivable from parent, subsidiaries and affiliates	128,201,225		128,201,225	
Other assumed reinsurance receivables-runoff	34,584,607		34,584,607	
Leasehold improvements	9,043,610	9,043,610	0	
Prepaid expenses	2,988,991	2,988,991	0	
Miscellaneous receivables	637,339	637,339	0	
	<hr/>	<hr/>	<hr/>	
Total Assets	<u>\$ 14,657,009,557</u>	<u>\$ 24,363,399</u>	<u>\$ 14,632,646,158</u>	

**Liabilities, Surplus and Other Funds
As of December 31, 2005**

		<u>Notes</u>
Losses	\$ 4,736,874,983	4
Reinsurance payable on paid losses and LAE	12,716,453	
Loss adjustment expenses	411,037,742	4
Contingent commissions	17,400,544	
Other expenses	278,433,347	
Taxes, licenses and fees	300,533	
Current federal and foreign income taxes	82,406,714	
Net deferred tax liability	146,425,679	
Unearned premiums	305,279,101	
Ceded reinsurance premiums payable	133,416,066	
Funds held under reinsurance treaties	12,198,451	
Amounts withheld by company for account of others	(387,496)	
Remittances and items not allocated	58,024	
Provision for reinsurance	47,993,001	
Net adjustments due to foreign exchange rates	16,358,998	
Payable to parent, subsidiaries and affiliates	408,152	
Loss portfolio transfers	527,322,882	
Direct losses in course of payment	9,355,862	
Accounts payable	962,405	
Total Liabilities	<u>\$ 6,738,561,441</u>	
Special surplus for retrospective reinsurance	\$ 11,730,500	
Common capital stock	11,000,000	
Gross paid-in and contributed surplus	2,579,234,614	
Unassigned funds (surplus)	<u>5,292,119,603</u>	
Surplus as regards policyholders	<u>\$ 7,894,084,717</u>	
Totals	<u><u>\$ 14,632,646,158</u></u>	

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**Statement of Income
As of December 31, 2005**

UNDERWRITING INCOME

Premiums earned	\$ (3,988,073,451)
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DEDUCTIONS

Losses incurred	\$ (3,840,859,669)
Loss expenses incurred	(305,107,722)
Other underwriting expenses incurred	178,494,468
Miscellaneous other (income) / loss	(74,709)
Total underwriting deductions	<u>\$ (3,967,547,632)</u>
Net underwriting gain or (loss)	\$ (20,525,819)

INVESTMENT INCOME

Net investment income earned	\$ 633,107,904
Net realized capital gains or (losses)	38,596,642
Net investment gain or (loss)	<u>\$ 671,704,546</u>

OTHER INCOME

Retroactive reinsurance loss	\$ (11,730,500)
Gain on deposit contract	1,172,442
Write off on non underwriting receivable	(400,000)
Total other income	<u>\$ (10,958,058)</u>
Net income before dividends to policyholders and before federal income taxes	\$ 640,220,669
Dividends to policyholders	<u>0</u>
Net income after dividends to policyholder but before federal income taxes	\$ 640,220,669
Federal and foreign income taxes incurred	<u>(80,908,268)</u>
Net income	<u><u>\$ 721,128,937</u></u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2004	\$ <u>7,158,986,446</u>
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GAINS AND (LOSSES) IN SURPLUS

Net income	\$ 721,128,937
Net unrealized capital gains or (losses)	216,270,851
Change in net unrealized foreign exchange capital gain	(53,360,468)
Change in net deferred income tax	(196,516,207)
Change in non-admitted assets	8,756,865
Change in provision for reinsurance	(1,225,016)
Surplus adjustments:	
Paid in	112,000,000
Correction in prior year error	(55,019,968)
Minimum pension liability adjustment	(16,936,723)
Change in surplus as regards policyholders for the year	<u>\$ 735,098,271</u>

Surplus as regards policyholder, December 31, 2005	<u><u>\$ 7,894,084,717</u></u>
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EXAMINATION ADJUSTMENTS

No financial adjustments were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Bonds
\$2,861,902,243

Bonds, comprising of 19.56 % of total admitted assets, were determined to be the same amount as reported by the Company in its Annual Statement. In addition, 97.5 % of the bonds were rated Class 2 or higher by the NAIC Securities Valuations Office.

Note 2 – Common stocks \$6,679,410,515

Common stocks, comprising of 45.65 % of total admitted assets, were determined to be the same amount as reported by the Company in its Annual Statement.

The Company's investments in its subsidiaries, amounting to \$3.882 billion or 58.12 % of its common stock investments, were valued according to the book value reported in each company's respective 2005 Annual Statement and audited financial statements for the non-insurance subsidiaries.

Note 3 – Cash \$2,948,526,889

Cash, cash equivalents and short-term investments, comprising of 20.15 % of total admitted assets, were determined to be the same amount as reported by the Company in its Annual Statement.

<u>Note 4 – Losses</u>	<u>\$ 4,736,874,983</u>
<u>Loss Adjustment Expenses</u>	<u>\$ 411,037,742</u>
Total	<u>\$ 5,147,912,725</u>

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct an actuarial review of the Company's reserve methodologies and adequacy. Based on

General Reinsurance Corporation

the review, the Company's reported total loss and loss adjustment expense reserves as of December 31, 2005 of \$5,147,912,725 were properly stated.

INS's analysis is net of reinsurance and does not address the collectibility of reinsurance recoverables.

The underlying loss data was tested through a review of open and paid claims. The aggregated actuarial data provided by the Company was verified and balanced to Schedule P of the Company's filed Annual Statement.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

There were no recommendations made in the prior examination report.

SUMMARY OF RECOMMENDATIONS

1. It is recommended that the Company reply to the Annual Statement General Interrogatories in an accurate manner concerning the maintenance of recorded minutes and a written account or report of the discussions reflected in the minutes of the committee members' meetings should be retained. (See Management and Control: Committees, page 6)
2. It is recommended that the Company comply with 18 Del.C. §4919 regarding the notification of changes in officers and directors. (See Management and Control: Directors and Officers, page 8)
3. It is recommended that the Company consistently comply with its Policy Statement on Conflict of Interest procedures by verifying that its officers and directors review and execute the questionnaires on an annual basis. (See Management and Control: Conflict of Interest Policy, page 8)
4. It is recommended that the Company's exercise care to assure that when its Board of Directors is required to approve or otherwise provides its approval of an agreement, such approval is given in a timely manner. (See Management and Control: page 9)
5. It is recommended that the Company comply with 18 Del C. §5004(e) by reporting all outstanding loan balances due from each affiliate that in total amount to a material balance as of a year-end in its annual holding company form B and C registration statement filings. (See Holding Company and Affiliated Transactions: page 15)

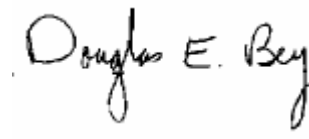
CONCLUSION

The following schedule shows the results of this and the prior examination with changes between the three-year periods:

<u>Description</u>	<u>December 31 2002,</u>	<u>December 31, 2005</u>	<u>Difference</u>
Assets	\$18,731,990,353	\$14,632,646,158	(\$4,099,344,195)
Liabilities	\$14,636,863,664	\$ 6,738,561,441	(\$7,898,302,223)
Capital and Surplus	\$ 4,095,126,689	\$ 7,894,084,717	\$3,798,958,028

The assistance of Delaware's consulting firms, INS Consultants, Inc., and INS Services, Inc., is acknowledged.

Respectfully submitted,



Douglas E. Bey, CFE
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

The following three significant transactions occurred subsequent to December 31, 2005:

(1) Effective August 1, 2006, a loan agreement was approved by the Delaware Insurance Department that was entered into between the Company and Fruit of the Loom, Inc., a 100 % owned subsidiary of Berkshire Hathaway Inc., the Company's ultimate parent.

A ten-year promissory note was issued whereby Fruit of the Loom, Inc. will pay interest to the Company on the principal sum of \$ 940,000,000 at a rate of 9 % per year in successive semiannual payments on February 1st and August 1st until maturity, beginning on February 1, 2007 and on each of the semiannual payment dates thereafter, until and including August 1, 2016. Berkshire Hathaway Inc. will unconditionally and irrevocably guarantee the note as to the borrower's payment of interest and principal.

(2) Securities amounting to \$ 180,000,000 that were owned by an affiliate, GRD Holdings Corporation, were liquidated during the third calendar quarter of 2006 that were previously established for the benefit of the Company to fund and secure unearned premium and loss reserves for unauthorized reinsurance. Consequently, GRD Holdings Corporation paid a \$180,000,000 dividend to General Re Corporation on September 26, 2006 and in turn, the Company received a capital contribution of \$180,000,000 from General Re Corporation on September 27, 2006 for the purpose of establishing an equivalent offset for the Company's increase in its liability account for Provision for Reinsurance.

(3) On December 28, 2006, an ordinary cash dividend in the amount of \$775,000,000 was paid to the Company's parent and sole shareholder, General Re Corporation.